DOCUMENT RESUME

ED 398 824 HE 029 444

TITLE	A Review of Institutions of Higher Learning's Student Financial Aid Administrative Expenditures and the Post-Secondary Board's Enforcement of Residence Requirements for Grants.
INSTITUTION	Mississippi State Legislature, Jackson. Performance Evaluation and Expenditure Review Committee.
PUB DATE	14 May 96
NOTE	54p.
PUB TYPE	Reports - Evaluative/Feasibility (142)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	Accountability; Administration; Educational Finance; *Financial Audits; *Financial Policy; Governance; Governing Boards; Higher Education; *Money Management; Policy Formation; Public Agencies; State Boards of Education; State Colleges; State Legislation; *State Programs; State Universities; *Student Financial Aid; Trustees
IDENTIFIERS	*Mississippi

ABSTRACT

This report to the Mississippi Legislature presents the findings of a review of student financial aid administrative expenditures and enforcement of residence requirements by the State Board of Trustees of Institutions of Higher Learning (IHL). The review found that IHL privatized a loan guarantee program and redirected special funds to a private company that assumed the workload while IHL retained staff members thus doubling salary expenditures. It was also found that IHL spent contractual funds for a computer loan management system that was not used. IHL administrators failed to assure consistent compliance with the state's four-year residence requirements for Mississippi Resident Tuition Assistance Grants (MTAG) and the Mississippi Eminent Scholars Grants Program (MESG) with some grants awarded without proof of Mississippi residence. Six recommendations address needed actions by the IHL Board and staff concerning the management of administrative expenditures and three recommendations to improve verification of student residence status. A summary of the response by the Board to each of these recommendations is also provided. Five appendices provide additional detail on trends in expenditures and staffing, a summary of residential requirements, a summary of MTAG and MESG guidelines, and the MTAG and MESG application and contract. (JLS)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 398 824

Report To

#338

The Mississippi Legislature

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL HAS BEEN GRANTED BY

Mississippi Legislature

The PEER Committee

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

A Review of Institutions of Higher Learning's Student Financial Aid Administrative Expenditures and the Post-Secondary Board's Enforcement of Residence Requirements for Grants

May 14, 1996

IHL's administrative expenditures for Student Financial Aid increased 138% from FY 1993 to FY 1995, primarily due to the following:

- IHL privatized a loan guarantee program and redirected the flow of special funds revenue to the private company that assumed the workload. Instead of eliminating the special-fund positions associated with the privatized program, IHL retained the staff members and used general funds to pay their salaries, doubling salary expenditures without formally studying staffing needs.

- IHL spent $157,011 in contractual funds for a computerized loan management system which IHL managers later decided not to use.

Regarding enforcement of residence requirements for the Mississippi Resident Tuition Assistance Grant and Mississippi Eminent Scholars Program, IHL administrators have not assured consistent compliance with four-year residence requirements established by the Legislature. Although PEER found no evidence of any widespread attempt by grant recipients to circumvent the residence requirements, administrators have awarded grants without proof that students were actually four-year residents of Mississippi.

IHE 02 9 494

The PEER Committee

BEST COPY AVAILABLE

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

A Review of Institutions of Higher Learning's Student Financial Aid Administrative Expenditures and the Post-Secondary Board's Enforcement of Residence Requirements for Grants

May 14, 1996

The PEER Committee

Mississippi Legislature

The Mississippi Legislature

Joint Committee on Performance Evaluation and Expenditure Review

PEER Committee

SENATORS
WILLIAM W. CANON
Chairman
HOB BRYAN
BOB M. DEARING
EZELL LEE
JOHNNIE E. WALLS, JR.

TELEPHONE:
(601) 359-1226

FAX:
(601) 359-1420

P. O. Box 1204
Jackson, Mississippi 39215-1204

Max Arinder, Ph.D.
Executive Director

REPRESENTATIVES
WILLIAM E. (BILLY) BOWLES
Vice Chairman
ALYCE G. CLARKE
Secretary
HERB FRIERSON
TOMMY HORNE
MARY ANN STEVENS

OFFICES:
Professional Building
222 North President Street
Jackson, Mississippi 39201

May 14, 1996

Honorable Kirk Fordice, Governor
Honorable Ronnie Musgrove, Lieutenant Governor
Honorable Tim Ford, Speaker of the House
Members of the Mississippi State Legislature

At its meeting of May 14, 1996, the PEER Committee authorized release of the report entitled **A Review of Institutions of Higher Learning's Student Financial Aid Administrative Expenditures and the Post-Secondary Board's Enforcement of Residence Requirements for Grants.**

Senator Bill Canon, Chairman

This report does not recommend increased funding or additional staff.

Table of Contents

Letter of Transmittal i

List of Exhibits v

Executive Summary vii

Introduction 1

- Authority 1
- Scope and Purpose 1
- Method 2
- Overview 2

Student Financial Aid Administrative Expenditures 4

- Organizational Changes Have Affected the Administration of Student Financial Aid Programs 4
- Administrative Expenditures Have Increased Primarily Due to Salaries and Benefits Expenditures 6
  - IHL Retained Employees Formerly Employed at the Guarantee Agency 10
  - IHL Increased General Fund Salary and Benefits Expenditures Without Formally Studying Workload Changes 10
  - IHL Has Fewer Restrictions on Growth in Staffing and Movement of Funds than Most State Agencies 13
  - MTAG and MESG May Have Warranted Additional Positions, but IHL Did Not Document Such 14
- Increases in Other Administrative Expenditures 15
  - Contractual Services Expenditures Increased over One Hundred Percent from FY 1993 to FY 1995 15
  - Expenditure Increases Also Occurred in Capital Outlay and Commodities Categories 16

Enforcement of Residence Requirements 18

- State Law Requires MTAG and MESG Grant Recipients to be Four-Year Residents of the State 18
- MTAG and MESG Programs Lack Effective Residence Verification Methods 19
  - Application Form Does Not Elicit Specific Four-Year Residence Information 19

Table of Contents (continued)

The Board Has Not Developed Specific Residence Verification Procedures for Institutions' Use 19
Individual Institutions Do Not Consistently Require Proof of Four-Year Residence 20
Despite Residence Verification Problems, PEER Found No Widespread Program Abuse 21

Recommendations 23

Administrative Expenditures 23
Residence Verification 24

Appendix A. Trends in IHL Student Financial Aid-Related Salaries and Benefits Expenditures by Fund Sources (Student Financial Aid Division, Collections Services Division and Guarantee Agency) 27

Appendix B. Monthly Trends in Student Financial Aid-Related Staffing by Source of Funding, Fiscal Year 1993 to December 1995 28

Appendix C. Summary of Legal Residence Requirements Outlined in MISS. CODE ANN. Section 37-103-1 to 37-103-29 29

Appendix D. Summary of MTAG and MESG Guidelines 31

Appendix E. MTAG and MESG Application and Contract 33

Agency Response 35

List of Exhibits

1. State Institutions of Higher Learning Student Financial Aid Division Organizational Chart as of December 1995.....5

2. Financial Aid Organization (At September 30, 1994, and at December 31, 1995).....7

3. Trends in Administrative Expenditures from the IHL Student Financial Aid Division Budget (State Treasury Funds and Special Funds).....8

4. Increase in Reliance on the State Treasury as a Fund Source for IHL Student Financial Aid-Related Salaries and Benefits Expenditures..... 11

5. Trends in Student Financial Aid-Related Staffing (Year-End Employees on Staff by Source of Funding) 12

A Review of Institutions of Higher Learning's Student Financial Aid Administrative Expenditures and the Post-Secondary Board's Enforcement of Residence Requirements for Grants

May 14, 1996

Executive Summary

Introduction

The Board of Trustees of Institutions of Higher Learning (IHL) administers programs which provide financial aid for post-secondary education. From FY 1993 to FY 1995, administrative expenditures for the state's Student Financial Aid program increased from $380,269 to $906,405, an increase of 138 percent. In response to a legislative request, the PEER Committee reviewed the administrative expenditures of IHL's Student Financial Aid Division and Post-secondary Education Financial Assistance Board.

Two of the recently authorized programs which the Post-secondary Education Financial Assistance Board and IHL staff implement are the Mississippi Resident Tuition Assistance Grant (MTAG) and the Mississippi Eminent Scholars Program (MESG). MTAG and MESG provide funds to students who have been state residents for the preceding four years. During the 1995 session, the Legislature appropriated nearly $20 million in general funds for the support and maintenance of MTAG and MESG, and 14,248 students received financial aid through these two programs for the fall 1995 semester. PEER reviewed the enforcement of these programs' residence requirements.

Overview

From FY 1993 to FY 1995, administrative expenditures for student financial aid programs increased 138%. What types of expenditures account for this increase? What are the primary reasons for the increase?

IHL's administrative expenditures for student financial aid programs increased primarily in the budget categories of salaries and benefits and contractual services. The primary reasons for the increase are:

- IHL privatized administration of part of its student financial aid program (the Guarantee Student Loan Agency) early in FY 1995 and redirected the flow of special funds revenue to the private company that assumed the work load. Instead of eliminating the positions associated with the privatized program, IHL retained the staff members, shifting them to other programs, and used general funds to pay their salaries. Subsequent creation of the MTAG and MESG programs may have warranted adding some positions, but IHL more than doubled Student Financial Aid Division salaries and benefits expenditures during FY 1995 without formally studying its staffing needs.

- IHL spent $157,011 in contractual funds for a computerized loan management system which IHL managers later decided not to use.

Have administrators of MTAG and MESG programs assured consistent compliance with four-year residence requirements?

No. Although PEER found no evidence of any widespread attempt by grant recipients to circumvent the residence requirements, MTAG and MESG program administrators have awarded grants without proof that students were actually four-year residents of Mississippi. The grant application form does not elicit specific four-year residence information; the Post-secondary Board has not developed specific residency verification procedures for institutions' use; and individual colleges and universities do not consistently require proof of four-year residence.

Recommendations

Concerning administrative expenditures of the Student Financial Aid Division, PEER recommended that IHL staff:

- study the work load and staffing of the Student Financial Aid Division;

- report all special funds and checking accounts in budget requests; and,

- establish policies for purchasing computer hardware and software.

PEER also recommended that the Legislature limit the amount which may be spent on administration of loan and scholarship programs to a percentage of the funds appropriated, and that the Attorney General and State Auditor consider whether IHL's former Commissioner should repay funds spent by IHL for a computerized loan management system which it has never used.

Concerning the MTAG and MESG grant programs, PEER recommended that:

- IHL staff develop clear policies outlining types of documentation to be reviewed and steps to be taken when determining four-year residence, distribute such policies to individual institutions, and revise the application form; and,

- the Post-secondary Board develop procedures for conducting annual compliance audits of grant recipient files at institutions.

For More Information or Clarification, Contact:

PEER Committee
P. O. Box 1204
Jackson, MS 39215-1204
(601) 359-1226
http://www.peer.state.ms.us

Senator William Canon, Chairman
Columbus, MS (601) 328-3018

Representative Billy Bowles, Vice-Chairman
Houston, MS (601) 456-2573

Representative Alyce Clarke, Secretary
Jackson, MS (601) 354-5453

A Review of Institutions of Higher Learning's Student Financial Aid Administrative Expenditures and the Post-Secondary Board's Enforcement of Residence Requirements for Grants

Introduction

The Board of Trustees of Institutions of Higher Learning (IHL) administers programs which provide financial aid for post-secondary education. From FY 1993 to FY 1995, administrative expenditures for the state's Student Financial Aid program increased from $380,269 to $906,405, an increase of 138 percent. In response to a legislative request, the PEER Committee reviewed the administrative expenditures of IHL's Student Financial Aid Division and Post-secondary Education Financial Assistance Board.

Two of the recently authorized programs which the Post-secondary Education Financial Assistance Board and IHL staff implement are the Mississippi Resident Tuition Assistance Grant (MTAG) and the Mississippi Eminent Scholars Program (MESG). MTAG and MESG provide funds to students who have been state residents for the preceding four years. During the 1995 session, the Legislature appropriated nearly $20 million in general funds for the support and maintenance of MTAG and MESG, and 14,248 students received financial aid through these two programs for the fall 1995 semester. PEER reviewed the enforcement of these programs' residence requirements.

Authority

The PEER Committee conducted its review pursuant to MISS. CODE ANN. Section 5-3-57, et seq. (1972).

Scope and Purpose

In conducting this review, PEER sought to:

- review the administrative expenditures of the Student Financial Aid division of the Institutions of Higher Learning; and,
- determine whether the Post-secondary Education Financial Assistance Board and its Institutions of Higher Learning staff have enforced the four-year residence requirements of the Mississippi Tuition Assistance Grants and the Mississippi Eminent Scholars Grants.

Method

In conducting this review, PEER:

- reviewed Mississippi statutes, Institutions of Higher Learning (IHL) regulations, and Post-secondary Education Financial Assistance Board (Post-secondary Board) regulations and minutes;
- administered questionnaires to financial aid officers at thirty-six Mississippi public and private two-year and four-year colleges and universities;
- reviewed student financial aid and admissions records at twenty Mississippi colleges and universities;
- analyzed IHL records, reports, financial statements, payroll records, and budget requests; and,
- interviewed IHL employees and contractors.

Overview

From FY 1993 to FY 1995, administrative expenditures for student financial aid programs increased 138%. What types of expenditures account for this increase? What are the primary reasons for the increase?

IHL's administrative expenditures for student financial aid programs increased primarily in the budget categories of salaries and benefits and contractual services. The primary reasons for the increase are:

- IHL privatized administration of part of its student financial aid program (the Guarantee Student Loan Agency) early in FY 1995 and redirected the flow of special funds revenue to the private company that assumed the work load. Instead of eliminating the positions associated with the privatized program, IHL retained the staff members, shifting them to other programs, and used general funds to pay their salaries. Subsequent creation of the MTAG and MESG programs may have warranted adding some positions, but IHL more than doubled Student Financial Aid Division salaries and benefits expenditures during FY 1995 without formally studying its staffing needs.
- IHL spent $157,011 in contractual funds for a computerized loan management system which IHL managers later decided not to use.

Have administrators of MTAG and MESG programs assured consistent compliance with four-year residence requirements?

No. Although PEER found no evidence of any widespread attempt by grant recipients to circumvent the residence requirements, MTAG and MESG program administrators have awarded grants without proof that students were actually four-year residents of Mississippi. The grant application form does not elicit specific four-year residence information, the Post-secondary Board has not developed specific residence verification procedures for institutions' use; and individual colleges and universities do not consistently require proof of four-year residence.

Student Financial Aid Administrative Expenditures

From FY 1993 to FY 1995, administrative expenditures for student financial aid programs increased 138%. What types of expenditures account for this increase? What are the primary reasons for the increase?

IHL's administrative expenditures for student financial aid programs from special and general funds increased from $380,269 in fiscal year 1993 to $906,405 in fiscal year 1995, occurring chiefly in the budget categories of salaries and benefits and contractual services. The primary reasons for the 138% increase are:

- IHL privatized administration of part of its student financial aid program (the Guarantee Student Loan Agency) early in FY 1995 and redirected the flow of special funds revenue to the private company that assumed the work load. Instead of eliminating the positions associated with the privatized program, IHL retained the staff members, shifting them to other programs, and used general funds to pay their salaries. Subsequent creation of the MTAG and MESG programs may have warranted adding some positions, but IHL more than doubled Student Financial Aid Division salaries and benefits expenditures during FY 1995 without formally studying its staffing needs.

- IHL spent $157,011 in contractual funds for a computerized loan management system which IHL managers later decided not to use.

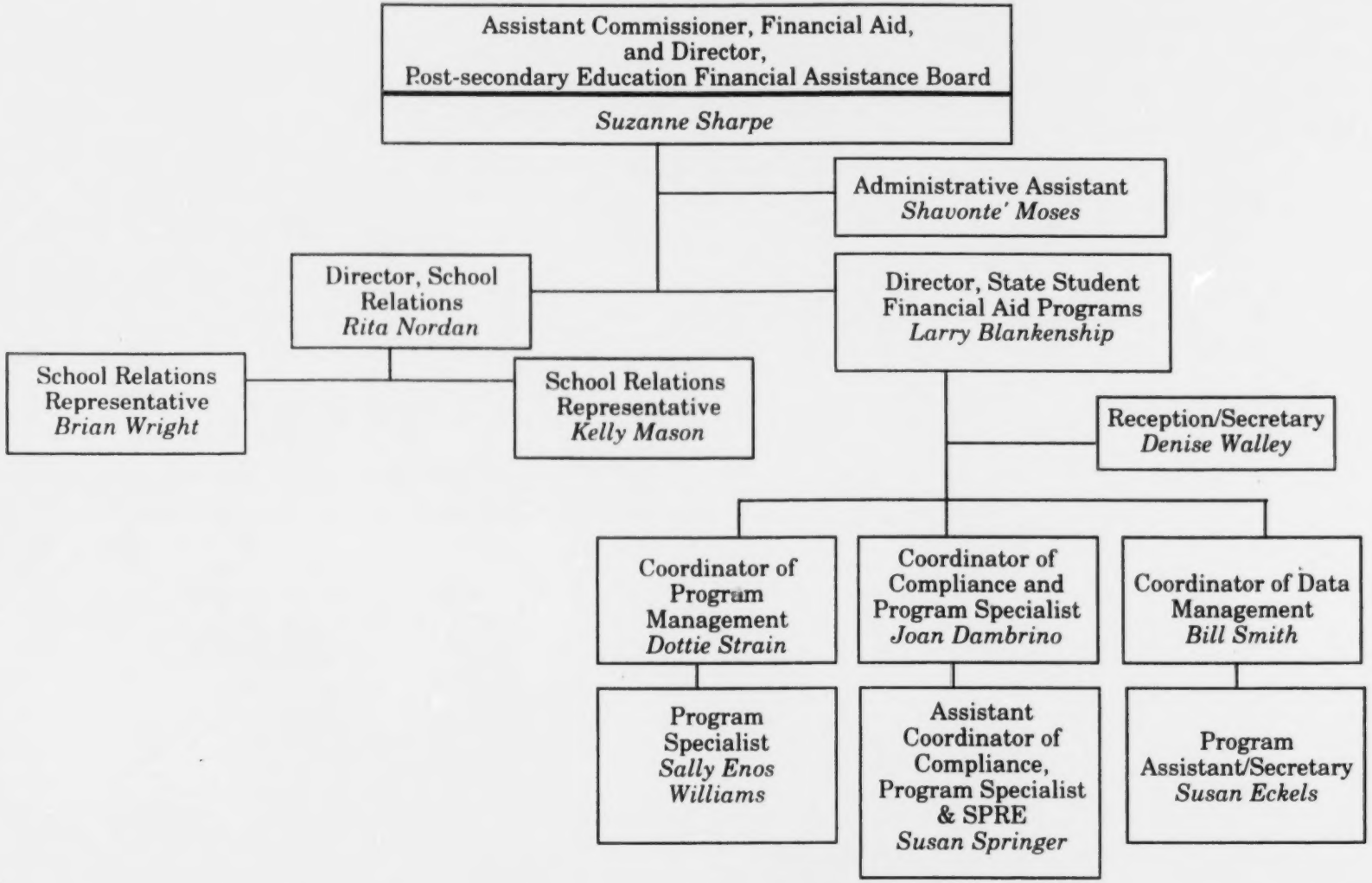
Organizational Changes Have Affected the Administration of Student Financial Aid Programs

IHL's Student Financial Aid Division and its related agencies and programs have been in transition for several years. The Student Financial Aid Division administers the MTAG and MESG programs and twenty other financial aid programs. The division at December 1995 consisted of thirteen state employees, including the Assistant Commissioner for Student Financial Aid. (See the organizational chart for the Student Financial Aid Division, Exhibit 1, page 5.) The IHL Student Financial Aid Division employees serve as staff for the Post-secondary Board.

Until September 1994, state employees at IHL also staffed the Mississippi Guarantee Student Loan Agency. From 1982 until September 30, 1994, the Guarantee Agency guaranteed loans made to Mississippi students and parents by lending institutions. After an initial appropriation from the Legislature, the Guarantee Agency had become fully self-funded from program-related sources (e.g., insurance premiums paid by student

Exhibit 1

State Institutions of Higher Learning Student Financial Aid Division
Organizational Chart as of December 1995



SOURCE: Institutions of Higher Learning organization charts and Student Financial Aid records.

loan recipients). The state employees at IHL were paid with the Guarantee Agency's special fund revenues. IHL reported Guarantee Agency positions on budget requests, but did not include revenues and expenditures in budget requests because the former IHL Commissioner's policy was not to disclose funds which he considered to be "self-generated."

Because of Congressional legislation to phase out and replace guaranteed lending in the states with federal direct loan programs, IHL began to dismantle its guaranteed loan program. The IHL Board privatized the Guarantee Agency on September 30, 1994, transferring management and operation of the guaranteed loan program to United Student Aid Funds, Inc. (USA Funds), which had served as the Guarantee Agency's nonprofit third-party loan servicing contractor. The revenue flow supporting the management and operation of the program shifted to USA Funds in the transaction.

Exhibit 2, page 7, depicts the relationships between and the organization of the IHL board, the IHL Student Financial Aid Division, the Guarantee Agency, and the Post-secondary Board on:

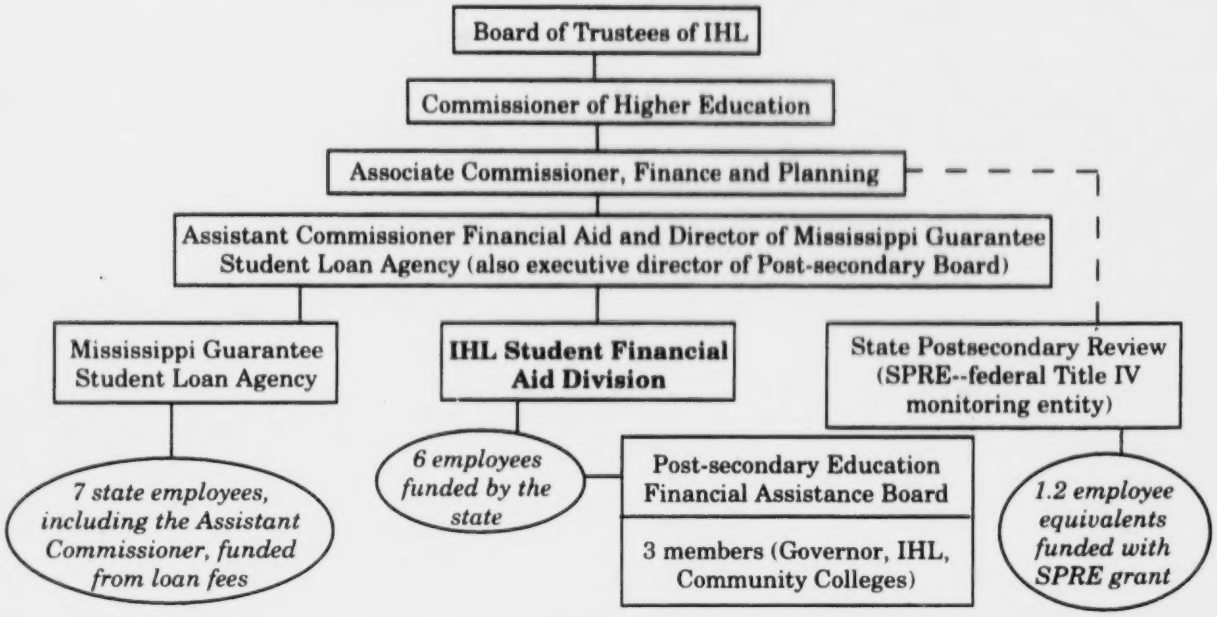
- September 30, 1994, just prior to the Guarantee Agency's privatization; and,
- December 31, 1995, after several reorganizations.

Subsequent to the Guaranty Agency's privatization in September 1994, IHL's Student Financial Aid Division administrative expenditures increased as shown in Exhibit 3, page 8.

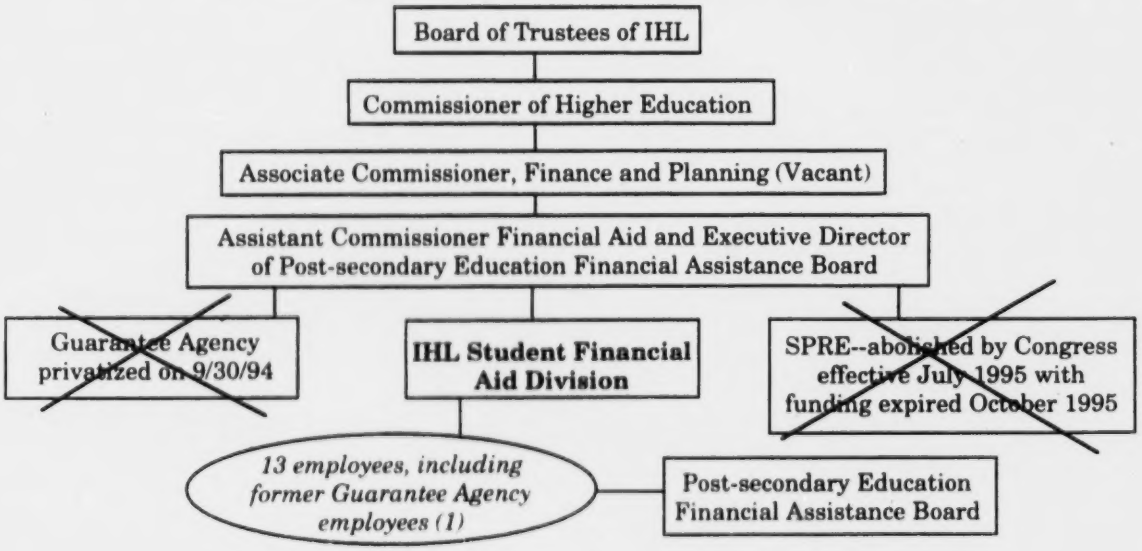
Administrative Expenditures Have Increased Primarily Due to Salaries and Benefits Expenditures

The major portion of the Student Financial Aid Division's administrative expenditures from Fiscal Year 1993 to Fiscal Year 1995 consisted of salary expenditures, as shown in Exhibit 3, page 8. The special and general fund salary and benefits expenditures of the Student Financial Division increased from $131,818 in FY 1993 to $410,410 in FY 1995. Appendix A, page 27, provides information on salaries and benefits expenditures by source of funding for the Student Financial Aid Division and also for the student financial aid-related Guarantee Agency and Collection Services division. Appendix B, page 28, provides a detailed analysis of changes in staffing of the student financial aid-related entities by source of funding.

Exhibit 2
Financial Aid Organization at September 30, 1994


Board of Trustees of IHL
Commissioner of Higher Education
Associate Commissioner, Finance and Planning
Assistant Commissioner Financial Aid and Director of Mississippi Guarantee Student Loan Agency (also executive director of Post-secondary Board)
Mississippi Guarantee Student Loan Agency
IHL Student Financial Aid Division
State Postsecondary Review (SPRE--federal Title IV monitoring entity)
7 state employees, including the Assistant Commissioner, funded from loan fees
6 employees funded by the state
Post-secondary Education Financial Assistance Board
3 members (Governor, IHL, Community Colleges)
1.2 employee equivalents funded with SPRE grant

Financial Aid Organization as of December 31, 1995

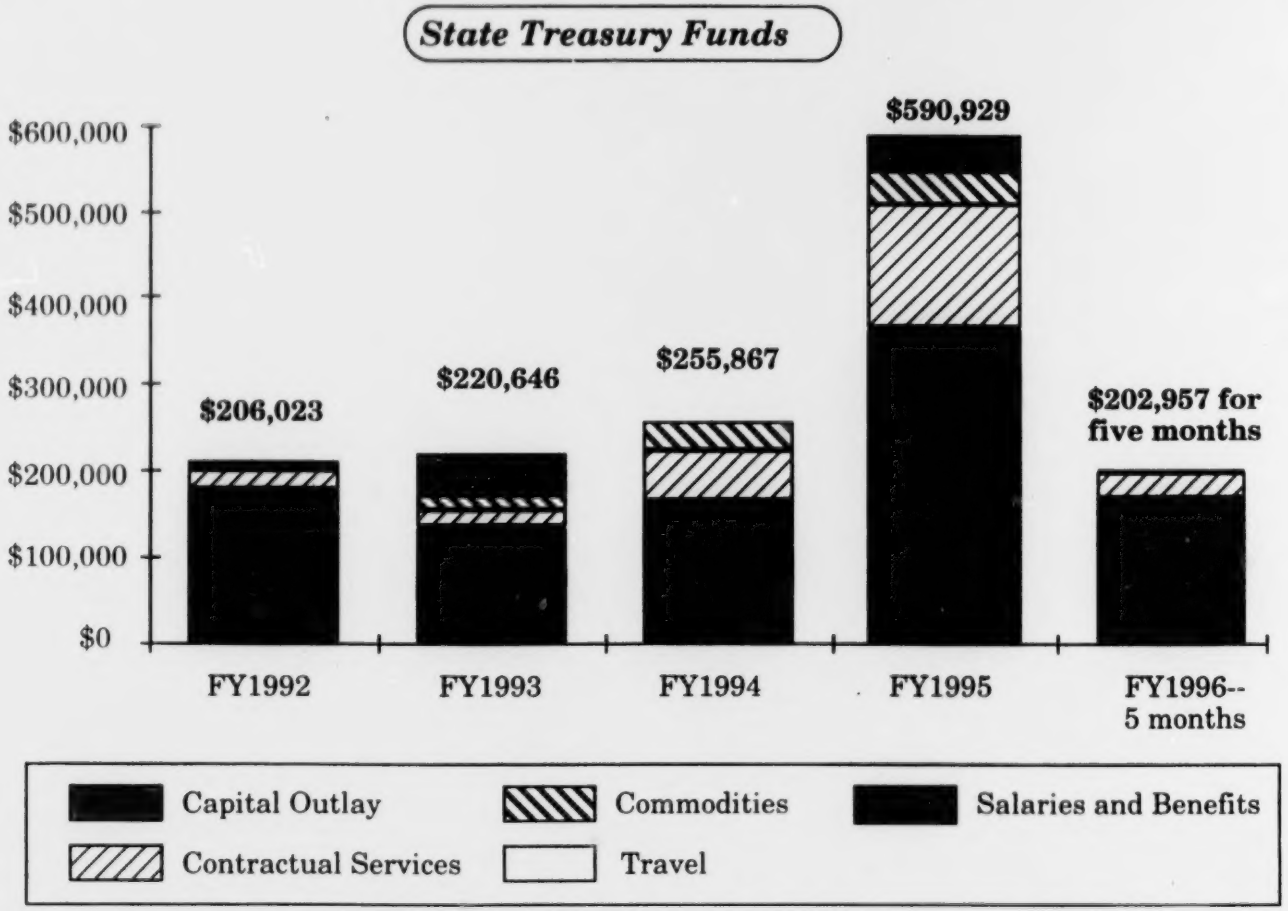

Board of Trustees of IHL
Commissioner of Higher Education
Associate Commissioner, Finance and Planning (Vacant)
Assistant Commissioner Financial Aid and Executive Director of Post-secondary Education Financial Assistance Board
Guarantee Agency privatized on 9/30/94
IHL Student Financial Aid Division
SPRE--abolished by Congress effective July 1995 with funding expired October 1995
13 employees, including former Guarantee Agency employees (1)
Post-secondary Education Financial Assistance Board

NOTE (1): As of December 1995, IHL reduced the number of employee equivalents paid from the Student Financial Aid budget from 13 to 12.5 (10 positions paid with general funds and 2.5 from the Post-secondary Board Trust Fund). IHL requested in the FY 1997 budget that all 13 employees be funded from state general funds.

SOURCE: IHL documents and financial records, MISS. CODE ANN. Section 37-106-9, and interviews with the Assistant Commissioners of Financial Aid and Research and Planning regarding the location of SPRE in the organization chart.

Exhibit 3

Trends in Administrative Expenditures from the IHL Student Financial Aid Division Budget



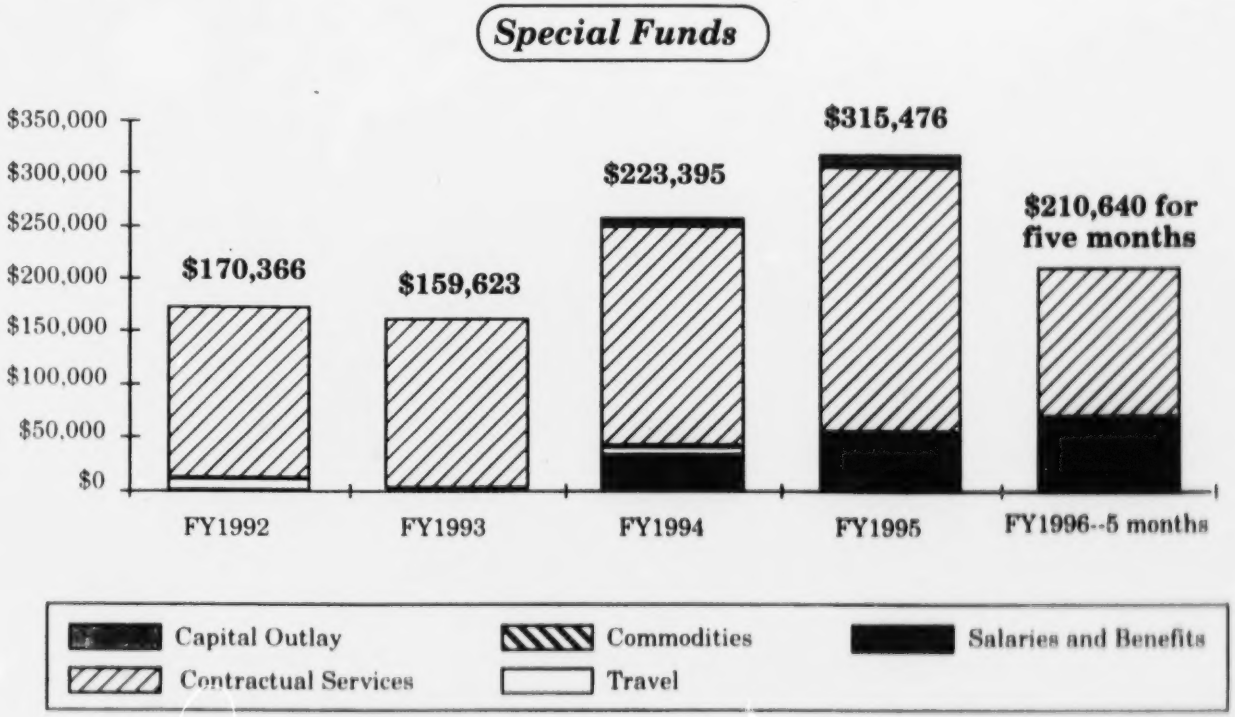
NOTE:

* State Treasury sources consisted primarily of general funds and also included $161,000 in Education Enhancement Funds appropriated specifically for Student Financial Aid in Fiscal Year 1993.

SOURCE: PEER compilation of Institutions of Higher Learning (IHL) financial records.

Exhibit 3 (continued)

Trends in Administrative Expenditures from the IHL Student Financial Aid Division Budget



NOTES RELATED TO SPECIAL FUND EXPENDITURES:

(1) This exhibit excludes the IHL Collection Services Division and Guaranty Agency special fund expenditures, which were not disclosed in the IHL Student Financial Aid Division Budget as presented to the Legislature.

(2) For continuity, the exhibit includes all special fund expenditures under the SPRE Grant, which was transferred from IHL's Research and Planning budget to the Student Financial Aid budget during Fiscal Year 1995. The Fiscal Year 1994 SPRE expenditures in the chart made by the Research and Planning Division total $49,407, including $30,914 in salaries expenditures.

(3) This analysis includes adjustments to IHL's classification of expenditure transactions. PEER has adjusted the financial statements as follows in order to present trends accurately by type of expenditure: (a) reclassification from grants to contractual services of the annual $135,000 dues to Southern Regional Education Board for operating expenses in 1992 and 1993 (IHL has already classified the payments as contractual services in 1994, 1995 and 1996) (b) removal of $14,140 and $34,000 in stipends and grants from the contractual services category in FY1993 and 1994, respectively.

IHL Retained Employees Formerly Employed at the Guarantee Agency

Instead of terminating the employees associated with the privatized program or moving them to existing IHL positions, IHL management created new positions for the seven employees of the privatized Guaranty Agency on staff in September 1994. IHL also transferred five employees of the Collection Services Division (associated with the Guarantee Agency) to other divisions within IHL. After ongoing adjustments in staffing subsequent to privatization, IHL had created seven new positions within the Student Financial Aid division by December 1995. IHL initially used special funds to pay the salaries and fringe benefits for four of the new positions after privatization. However, by the end of fiscal year 1995, IHL had used Student Financial Aid general funds to reimburse a special fund retroactively for the majority of the salary expenditures for the four positions. IHL continues to use Student Financial Aid general funds for these positions. As a result of these changes, the general fund Student Financial Aid salary expenditures increased from $131,818 in fiscal year 1993 to $363,514 in fiscal year 1995 (a $231,696 [176%] increase). Exhibits 4 and 5, pages 11 and 12, show that as the Guarantee Agency and IHL Collection Services salaries (paid with special funds) decreased and were phased out with the privatization of the Guarantee Agency, salary expenditures from the state Treasury (general funds and Education Enhancement funds during FY 1993 only) increased.

The new positions IHL created to accommodate employees whose jobs had been eliminated were management-level positions with salaries higher than typical for Student Financial Aid division employees. As a result, average Student Financial Aid Division salaries (paid primarily with general funds) increased from $28,838 in September 1994 to $37,811 in June 1995. By December 1995, the average Student Financial Aid Division salary had dropped slightly to $36,345.

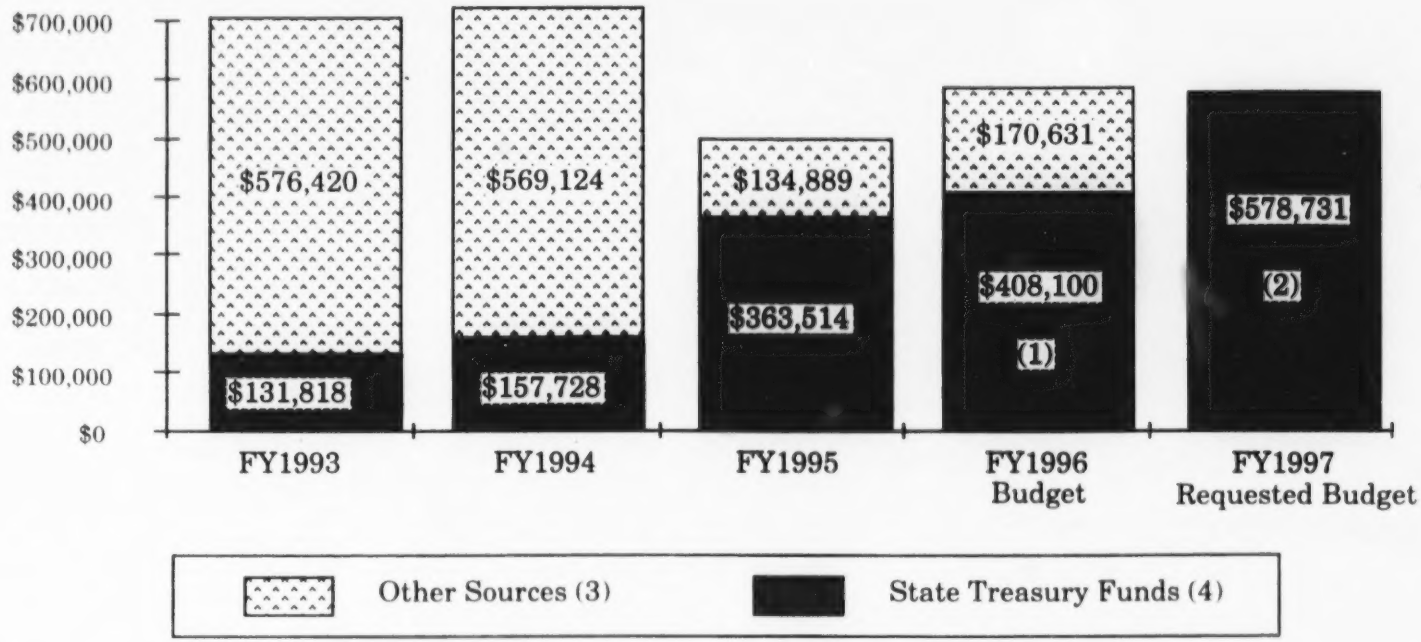
IHL Increased General Fund Salary and Benefits Expenditures Without Formally Studying Workload Changes

Despite substantial changes in IHL's student financial aid programs during fiscal years 1994 and 1995, IHL's management did not conduct a formal analysis to determine changes in the workload of the Student Financial Aid Division or resulting staffing needs. IHL management has not analyzed the time spent by personnel on different programs in order to determine an accurate administrative cost per loan/scholarship recipient of various loan programs. The IHL administration has used its flexibility in spending general fund dollars to transfer employees between state general and special funds programs. (See following section for discussion).

IHL management has stated that the Guarantee Agency employees worked on state financial-aid-related programs prior to privatization, and

Exhibit 4

Increase in Reliance on the State Treasury as a Fund Source for IHL Student Financial Aid-Related Salaries and Benefits Expenditures



NOTES:

(1) The Fiscal Year 1996 budget figures were included in the Fiscal Year 1997 Budget Request provided to the Legislative Budget Committee in August 1995. Budgeted sources for Fiscal Year 1996 include $408,100 in general funds, $162,351 from the Post-secondary Board Trust Fund, and $8,280 from the State Post-secondary Review Entity federal grant (SPRE).

(2) In the Fiscal Year 1997 Budget Request, IHL requested from the Legislature that $578,731 be funded from general fund appropriations in Fiscal Year 1997.

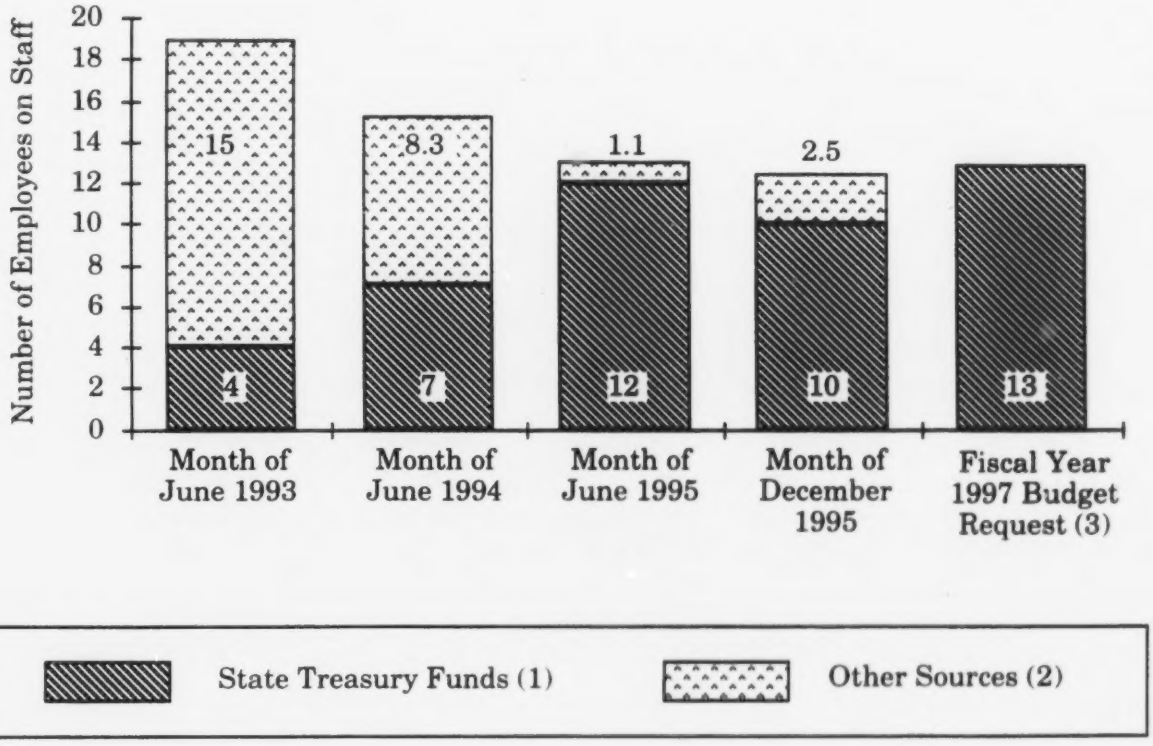
(3) Other sources included the Collection Services Division, the Guarantee Agency, SPRE, and the Post-secondary Board Trust Fund. Refer to Appendix A for a detailed analysis of expenditures by source. Although included here, Collection Services and Guarantee Agency budgets were not disclosed to the Legislature in budget requests.

(4) State Treasury sources consisted primarily of general funds and also included $161,000 in Education Enhancement Funds appropriated specifically for Student Financial Aid in fiscal year 1993.

SOURCE: PEER analysis of Institutions of Higher Learning financial reports and payroll data.

Exhibit 5

Trends in Student Financial Aid-Related Staffing (Year-End Employees on Staff by Source of Funding)



NOTES:

(1) State Treasury sources consisted primarily of general funds and also included $161,000 in Education Enhancement Funds appropriated specifically for Student Financial Aid in Fiscal Year 1993.

(2) Other sources included the Collection Services Division, the Guaranty Agency, the State Post-secondary Review Entity federal grant, and the Post-secondary Board Trust Fund. Although included here, Collection Services employees were not disclosed to the Legislature in budget requests. See Appendix B for more detailed information on the different sources of funding on a monthly basis.

(3) In the Fiscal Year 1997 Budget Request, IHL requested from the Legislature that 13 employees be funded from general fund appropriations in Fiscal Year 1997. Fiscal Year 1997staffing may be affected by IHL management's calendar-year 1996 decision to move at least two Student Financial Aid employees, including the Assistant Commissioner, to another section of IHL.

SOURCE: Institutions of Higher Learning payroll records and internal audit report.

therefore the services of these employees continued to be necessary after privatization of the Guarantee Agency function. However, the individual directing the Student Financial Aid division during PEER fieldwork could not provide PEER with any documentation, analysis, or time estimates showing that Guarantee Agency employees had worked on state programs. Time records obtained from the business office show that Guarantee Agency employees charged one hundred percent of their time to the Guarantee Agency for payroll purposes.

IHL in August 1993 originally budgeted only $137,709 to be spent from fiscal year 1995 general funds for Student Financial Aid salaries and benefits, with the amount remaining in the budget to be spent on financial aid programs. However, IHL spent a total of $363,514 in fiscal year 1995 general funds on salaries and benefits. Increasing the general funds that IHL management directed toward financial aid program administration decreased the amount available for awarding financial aid to eligible students. (See page 10 for a discussion of IHL's increasing reliance on general funds to provide salaries and benefits.) IHL management did not document the need for its 130% increase in administrative spending on personnel from general funds from fiscal year 1994 to 1995 (164% over its original budget), and therefore has not justified its use of these funds for a purpose other than direct financial aid awards to students.

Also, as shown in its budget request for FY 1997, IHL asked the Legislature to fund a total of $578,731 in salaries from the general fund without benefit of sound analysis showing the need for the expenditures.

IHL Has Fewer Restrictions on Growth in Staffing and Movement of Funds Than Most State Agencies

State agencies subject to typical state staffing position and financial controls are not authorized to create new positions and use state general funds to pay salaries and fringe benefits associated with those positions without legislative authorization and State Personnel Board approval. However, IHL is exempt from these restrictions and is also exempt from DFA regulations regarding movement of funds between major objects of expenditure. Thus, IHL can create positions at will and move necessary funding into personal services major objects to fund these positions.

Most state agencies in Mississippi are subject to controls on employee positions and other expenditure restrictions intended to ensure accountability for public funds. These controls are designed to restrict position and salary growth and ensure that agencies spend money according to budget categories specified in legislative appropriation bills. For example, state agencies subject to State Personnel Board (SPB) position control must obtain State Personnel Board approval to increase the size of a division's staff and must obtain legislative approval in the form of an increase in the number of positions authorized in the appropriation bill

paid with general or special funds. Also, most state agencies are subject to pre-audit of expenditures by the Department of Finance and Administration (DFA), which monitors agencies' budget balances by major object (e.g., salaries and benefits, travel).

The IHL administrative office and the universities are exempt from these restrictions. MISS. CODE ANN. Section 25-9-107 exempts IHL from SPB position controls that otherwise would restrict the number, type, and salaries of staff positions. Appropriations for the universities and the IHL administrative office do not restrict the number of positions created or maintained by the universities or the administrative office. Further, DFA has not monitored IHL expenditures by major object as it does for other state agencies. This is attributable to the fact that the Legislature appropriates to IHL in a lump-sum, without major object of expenditure restrictions, and that DFA has historically allowed IHL to draw down monthly allotments from the Treasury as if it were an institution of higher learning, without providing an explanation of how these funds are to be spent. Recently, on March 12, 1996, the Department of Finance and Administration informed IHL that in the future it would be required to document its uses of funds. This practice is supported by the language of MISS. CODE ANN. Section 7-9-41, which allows certain institutions to make monthly lump-sum draws from the treasury when the need for funds is documented in a manner acceptable to the Department of Finance and Administration.

In addition to IHL, the State Board for Community and Junior Colleges, the Legislature, and the Judiciary are exempt from certain of the controls mentioned above (specifically, SPB oversight, and in the case of the Legislature, appropriation by major object). However, with the exception of IHL, no entity supported by legislative appropriation is exempt from all of these restrictions.

In the absence of controls typically exerted by SPB, DFA, and through legislative appropriation language, IHL and the universities operate with greater flexibility than is afforded most other state agencies.

MTAG and MESG May Have Warranted Additional Positions, but IHL Did Not Document Such

Although the privatization of the Guarantee Agency in October 1994 did not increase the workload of the general-fund-supported Student Financial Aid Division, the financial aid workload at IHL's central office increased to some extent during the last quarter of fiscal year 1995, when the Legislature created a new general-fund-supported financial aid program (see discussion on page 18). IHL's FY 1996 MTAG and MESG responsibilities and a projected increase in the number of other financial aid recipients for fiscal year 1996 might have created a need for some

portion of the increase in staffing from six in September 1994 to thirteen in December 1995.

However, as noted above, IHL management has not systematically studied staffing needs in relation to the previous and current financial aid workload and therefore cannot provide a detailed justification for its December 1995 staffing level. Also, because the bulk of the work in administering MTAG loans is carried out at the university and college level where applications are received and processed, IHL's MTAG work load should justify only a limited increase in staffing.

Increases in Other Administrative Expenditures

Contractual Services Expenditures Increased over One Hundred Percent from FY 1993 to FY 1995

The Student Financial Aid Division's general and special fund contractual service expenditures increased $213,013, or 117%, from FY 1992 to FY 1995. The major difference in expenditures between the two years consisted of:

- at least $157,011 in contractual funds for a computerized loan management system which IHL managers later decided not to use. The new system's capabilities did not meet Student Financial Aid needs, such as bill collecting. IHL management spent $92,070 from the Student Financial Aid Special Fund and $64,941 from general funds during fiscal year 1995 for software, consulting and training. (Along with $14,741 in hardware expenditures listed on page 16 and an additional $4,447 in software, IHL management spent at least $176,199 for the system.) IHL's former Commissioner reported to the Central Data Processing Authority (now known as the Department of Information Technology Services) that the computerized loan management system was appropriate and was a sole source purchase despite the fact that Student Financial Aid staff had not completed an analysis of various systems to determine which would best meet their needs.

- $20,860 in FY 1995 general fund payments to the Mississippi Department of Information Technology Services to consult on maintenance of existing software and conversion to newly purchased loan management software. IHL staff is currently using its old loan management system and is contracting with ITS to upgrade the old system to take advantage of newer technology.

The major special fund contractual services expenditure from the Consolidated Loan/Scholarship Trust Fund each year is the amount paid for the operating and program expenses of the Southern Regional Education Board (SREB). In addition to payments for individual students' grants included in IHL's "Subsidies, Loans, and Grants" expenditures, IHL's contractual payment toward SREB's operating and program expenses was $135,000 in fiscal years 1992 to 1995 and was $141,750 in fiscal year 1996. (As ratified and approved in MISS. CODE ANN. Section 37-135-1, Mississippi signed a compact with other southern states in 1948 to provide services and facilities for the graduate, professional, and technical education of students. As a part of the compact, Mississippi provides funds for scholarships and loans to Mississippi students and makes payments to SREB for the establishment, acquisition, operation, and maintenance of regional educational institutions.)

Expenditure Increases Also Occurred in Capital Outlay and Commodities Categories

Capital outlay purchases also contributed to the increase in general fund expenditures in fiscal year 1995. IHL management spent $39,380 in general funds on data processing equipment during that year, including:

- $18,312 for seven personal computers for use by former Guarantee Agency employees;

- at least $14,741 on computer hardware to be used with the loan management system which IHL management decided not to use after purchase, discussed on page 15. IHL employees, including Student Financial Aid personnel, use the computer equipment for general agency purposes such as accessing Internet and e-mail.

As shown in Exhibit 3 on page 8, the majority of equipment purchases from Student Financial Aid budgets occurred in fiscal years 1993 and 1995. In fiscal year 1993, IHL purchased equipment with Student Financial Aid funds which has been used by all central office staff, including Student Financial Aid staff. The Student Financial Aid administration budget during FY 1993 was funded with general funds and Education Enhancement Funds earmarked by the Legislature for Student Financial Aid. However, IHL staff purchased $36,835 in computer equipment from that budget to be used as the file server for common software of all IHL central office employees. (PEER does not question the cost-benefit of IHL's equipment purchases for Student Financial Aid and other IHL staff.)

General fund expenditures for commodities increased steadily from fiscal year 1992 to fiscal year 1995, due primarily to an increase in printing and binding costs from $4,325 in FY 1992 to $32,800 in FY 1995. According to Student Financial Aid managers, printing costs increased because the

number of loan and scholarship recipients increased during the period, causing an increased interest in printed materials on student financial aid programs.

Enforcement of Residence Requirements

Have administrators of MTAG and MESG programs assured consistent compliance with four-year residence requirements?

No. Although PEER found no evidence of any widespread attempt by grant recipients to circumvent the residence requirements, MTAG and MESG program administrators have awarded grants without proof that students were actually four-year residents of Mississippi. The grant application form does not elicit specific four-year residence information, the Post-secondary Board has not developed specific residence verification procedures for institutions' use; and, individual colleges and universities do not consistently require proof of four-year residence.

State Law Requires MTAG and MESG Grant Recipients to be Four-Year Residents of the State

In 1995, the Mississippi Legislature established two new grant programs: the Mississippi Resident Tuition Assistance Program (MTAG) and the Mississippi Eminent Scholars Program (MESG). MTAG and MESG provide tuition assistance for Mississippi residents attending state institutions of higher learning, public community and junior colleges, and accredited nonprofit colleges and universities in Mississippi. The grants are not based on financial need of the recipient, but are for all eligible students whose family income level does not allow them to qualify for full federal aid.

MISS. CODE ANN. Sections 37-106-29 and 37-106-31 require a Mississippi resident seeking MTAG or MESG financial assistance to be a resident of the state for four years prior to obtaining the grant. These sections require that residence will be determined as set forth in MISS. CODE ANN. Section 37-103-1 to 37-103-29 (see Appendix C, page 29, for a summary of the statutory definition of residence. See Appendix D, page 31, for further description and requirements of the MTAG and MESG grant programs.)

MISS. CODE ANN. Section 37-106-29 (1) makes the Post-secondary Education Financial Assistance Board responsible for the development and implementation of MTAG and MESG programs. IHL employees serve as the director and staff for the Post-secondary Board and therefore are responsible for carrying out enforcement of the four-residence requirement. CODE Section 37-106-29 (2) requires that the "college or university shall approve grants to. . .Mississippi residents who meet the general requirements for student eligibility." Accordingly, the granting institution shares responsibility with the Post-secondary Board for upholding the statutory requirements.

MTAG and MESG Programs Lack Effective Residence Verification Methods

Although the statutes authorize the Post-secondary Board to manage the MTAG and MESG programs, the Post-secondary Board's rules and regulations do not ensure institutions' verification of applicant's four-year residence in Mississippi. The Post-secondary Board has not:

-- designed a grant application form which elicits specific four-year residence information; and,

-- developed specific residence verification procedures for institutions' use.

Application Form Does Not Elicit Specific Four-Year Residence Information

The MTAG and MESG grant application which IHL staff prepared and distributed for FY 1996 asked for the date on which applicants had become legal residents of the state. The "Terms and Conditions" section of the application form includes the four-year residence requirement. However, the portion of the form which applicants must complete does not specifically ask applicants whether they have been legal residents of the state for the four years immediately preceding the date of application. As a result, an applicant who had been born in Mississippi, moved away, and recently returned to the state could truthfully answer that he or she had *become* a legal resident at birth. This would imply to IHL that he or she had been a legal resident continuously since birth.

The Board Has Not Developed Specific Residence Verification Procedures for Institutions' Use

The Post-secondary Board and Board of Trustees of State Institutions of Higher Learning adopted rules and regulations for administering MTAG and MESG grants on April 19 and April 20, 1995, respectively. With regard to residence, the regulations state that an applicant "must be a current legal resident of Mississippi (no less than four years immediately preceding award year)." The regulations further state that determination of residence is set forth in MISS. CODE ANN. Sections 37-103-1 through 37-103-29, which primarily provide definitions of residence for admissions and tuition purposes, as shown in Appendix C, page 29. (MISS. CODE ANN. Section 37-106-29(4)(c) states that residence for MTAG grants shall be "determined in the same manner as resident status for tuition purposes" as stated in Sections 37-103-1 through 37-103-29.) The Post-secondary Board's rules and regulations also state that institutions are required to maintain

"documents supporting initial eligibility of recipients. . .(including High School Transcript, proof of Residence, etc.)" for five years.

The Post-secondary Board's rules and regulations do not provide specific procedures for institutions to use in verifying four-year residence of MTAG and MESG applicants. An informational "Question and Answer" document which IHL staff distributed to institutions' financial aid staffs did not specify the types of documents which institutions should use to verify residence (other than a federal financial aid application) and delegated decisions on residence determination to individual institutions:

> *. . .There are many forms of proof that are acceptable and the decision for certification will be left with the institution. However, one acceptable source will be the applicant's response on the Student Aid Report in which the applicant lists the state of residence and the date that status began.*

Some institutions' student loan personnel surveyed by PEER stated that IHL had informed them that self-reported information on the federal Student Aid Report would be sufficient documentation of four-year residence for the MTAG and MESG grants.

The board's failure to operationally define or describe steps to be taken or documents to be reviewed in verifying residence is inconsistent with practices used in awarding other types of grants administered by IHL's Student Financial Aid Division. For programs such as the Graduate Teacher Summer Loan/Scholarship Program, IHL requires documentation such as copies of drivers' licenses, home ownership agreements, and motor vehicle registration.

Individual Institutions Do Not Consistently Require Proof of Four-Year Residence

Even though IHL staff has delegated responsibility for verifying four-year residence to individual educational institutions, these individual institutions do not consistently require MTAG and MESG applicants to submit documentation of their four-year Mississippi residence. According to responses to PEER's survey of thirty-six colleges, universities and branch facilities which award MTAG and MESG grants, over half of the institutions rely on the students' unverified assertions of residence on a federal financial aid form which must be completed as a condition of the grants. The other institutions stated that in addition to the federal financial aid form they also routinely reviewed transcripts as a means of verifying residence. However, for non-traditional students who do not attend college immediately after high school, transcripts are not a means of proving periods of residence for years after high school. A few colleges claimed that they reviewed other forms of documentation for residence verification purposes, such as driver's licenses. However, none of the colleges had

procedures in place to require documentation for each of the four years of required residence to qualify for MTAG and MESG grants.

Despite Residence Verification Problems, PEER Found No Widespread Program Abuse

The effect of the Post-secondary Board's and institutions' lack of specific residence verification procedures has been that the board has awarded grants without proof that students were actually four-year residents of Mississippi. PEER conducted a scientific sample of 254 recipient files at twenty randomly-selected colleges in the state, reviewing files in student financial aid and admissions offices on college campuses for documentation which could verify state residence. Admissions offices maintained most transcripts necessary for documentation. Few financial aid files held any other type of residence documentation, although some files held tax returns listing the residence of the students or their parents. For twenty-five percent of MTAG grant recipients in the sample, college records were insufficient to verify whether those students had actually resided in Mississippi for four years prior to receiving the grants. These students might have been able to document four years of residence if program administrators had asked them to do so.

Although many MTAG and MESG recipient files lacked sufficient documentation to demonstrate four years of residence, PEER found conclusive evidence in three files (1.2% of the sample) that the grant recipient was not a four-year resident of Mississippi and, based on current requirements of MISS. CODE ANN. Sections 37-106-29 (4) (c) and 37-106-31 (1) (g), should not have received the grant.

-- A University of Southern Mississippi (USM) student graduated from an Oklahoma high school in May 1993. The student had marked through the original date listed on her MTAG and FAFSA applications and added her date of birth as the beginning date of legal residence. However, the student stated on an undergraduate admissions application that she had become a Mississippi resident in June 1994.

   This example shows the importance of certification statements. USM required the student to sign a statement on the admissions application that all information was accurate and that giving false information could make the student ineligible for admission. The MTAG application only asked that the student certify that she had read and accepted all conditions of the application.

-- A University of Mississippi student who received an MTAG grant graduated from a New Mexico high school in May 1993.

The student stated on the MTAG application that she had become a Mississippi resident in May 1994.

-- A Mississippi Gulf Coast Community College student at the Jefferson Davis campus graduated from a Louisiana high school in 1989. The student stated on the Free Application for Federal Student Aid that she had become a Mississippi resident in June 1994.

In these instances, the colleges did not make the minimal effort needed to verify residence. Even a cursory review of the application or federal student aid form would have alerted college officials that the students were not or might not be eligible. (Staff at the University of Southern Mississippi, for example, stated that their policy was to flag student files when information provided on different applications conflicted. Other colleges stated that this was also their policy. However, the policy proves inadequate if the student provides consistent, but inaccurate, residence information on both the MTAG/MESG application and the federal aid application.)

Although PEER's analysis did not provide evidence of any widespread attempt by recipients to circumvent the four-year residence requirement by completing the applications inaccurately, MTAG and MESG administrators' current procedures do not provide assurance that grants are consistently awarded in compliance with the four-year residence requirement.

Recommendations

Administrative Expenditures

1. IHL staff should conduct a study to determine the workload of the Student Financial Aid Division and the staffing needed to accomplish the division's mission. The study should identify costs per loan recipient for each individual financial aid program.

2. IHL should establish policies for purchasing computer equipment, services, and software, and establish procedures for completion of a needs analysis of the purchase. The needs analysis should include a study of:

   - capabilities of current computer systems;
   - needs of the department which will use the systems, services and equipment under consideration;
   - capabilities and characteristics of proposed purchases; and
   - the manner in which proposed purchases will meet the specific needs of the department requesting the purchase.

3. When purchasing a software system or equipment which requires cooperation of various IHL staff and vendors for installation, IHL management should appoint an overall project manager to ensure communication between and cooperation of all involved and to ensure successful completion of the project.

4. The Legislature should consider revising IHL's Student Financial Aid appropriation bill (which has included lump-sum appropriations) to limit the amount which may be spent on administration of the loan and scholarship programs to a certain percentage of the funds appropriated. This revision would prevent IHL from exceeding a designated level of administrative expenditures, thus ensuring that IHL does not spend state funds intended for financial aid on administration.

5. IHL should report all special funds and checking accounts in its budget requests to the Legislature, including the actual revenues to its special funds, as required in the MBR-1 form developed by the Legislative Budget Office.

6. The Attorney General and State Auditor should consider whether IHL's former Commissioner, Dr. Ray Cleere, should repay funds

spent by IHL for a computerized loan management system which it has not used.

Residence Verification

7. IHL staff and the Post-secondary Board should develop clear policies outlining types of documentation to be reviewed and steps to be taken by institutions when determining an applicant's four-year residence, such as:

   - transcripts showing enrollment (for years during which the applicant was 21 or older);
   - home ownership agreements or apartment lease agreements;
   - property tax payment documents, such as motor vehicle registration statements, other property tax bills, and form 1098 federal information returns from mortgage companies;
   - tax returns showing parent's or student's Mississippi address; or,
   - utility bill showing the name of parent or student with Mississippi address.

   The Post-secondary Board should distribute copies of these policies to colleges and universities.

8. IHL staff and the Post-secondary Board should revise the MTAG/MESG application form to:

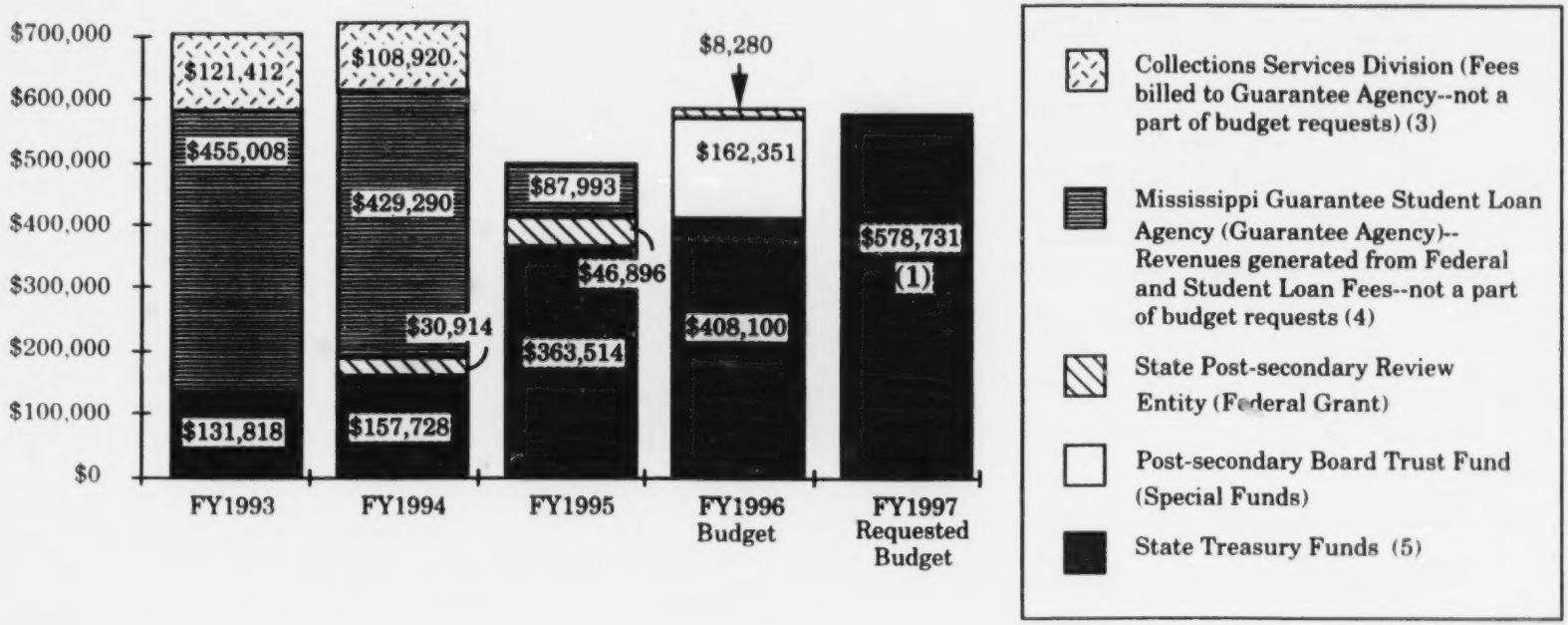
   - ask applicants specifically whether they have been legal residents of the state for the four years immediately preceding the date of application; and,
   - strengthen the certification statement by--
     - -- adding language to require applicants to certify that they <u>understand</u> the grant provisions that they have read; and,
     - -- requiring applicants to certify as to the truthfulness of the information provided and to their understanding of the possible penalties for providing false information.

9. The Post-secondary Board should develop procedures for conducting annual compliance audits of grant recipient files at colleges and universities, as required in its Rules and Regulations. The procedures

should require IHL staff to use scientific sampling in conducting the audits to determine compliance rates.

Appendix A

Trends in IHL Student Financial Aid-Related Salaries and Benefits Expenditures by Fund Sources (Student Financial Aid Division, Collections Services Division and Guarantee Agency)

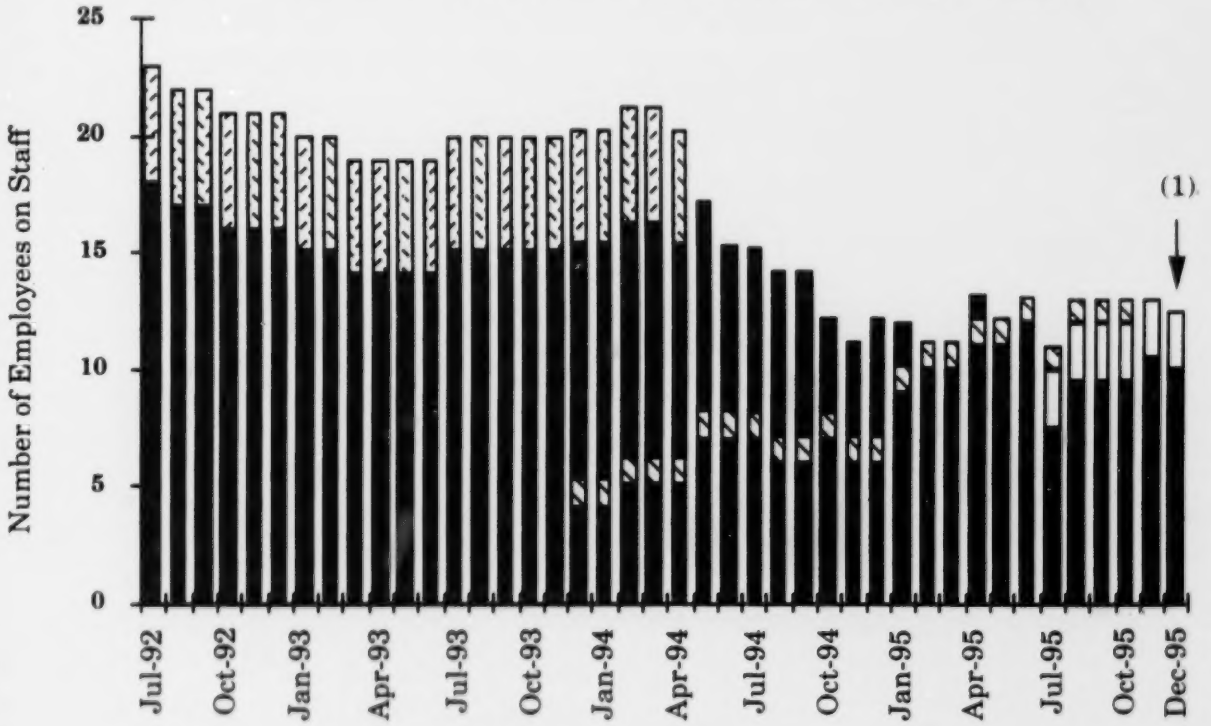


NOTES: (1) IHL is requesting from the Legislature that $578,731 be funded from state appropriations in Fiscal Year 1997.
(2) The Fiscal Year 1996 budget figures were included in the Fiscal Year 1997 Budget Request provided to the Legislative Budget Committee in August 1995.
(3) The IHL Collection Services Division budget was not disclosed to the Legislature in budget requests.
(4) The Guaranty Agency special fund budget was not disclosed to the Legislature in the budget requests, although the Guaranty Agency employees were included as a part of the student financial aid organization charts in the division's budget requests.
(5) State Treasury sources consisted primarily of general funds and also included $161,000 in Education Enhancement Funds appropriated specifically for Student Financial Aid in Fiscal Year 1993.

SOURCE: PEER analysis of Institutions of Higher Learning financial reports and payroll data.

Appendix B

Monthly Trends in Student Financial Aid-Related Staffing by Source of Funding, Fiscal Year 1993 to December 1995



- Collection Services (Fees billed to Guaranty Agency for collecting past-due loans)
- Mississippi Guarantee Student Loan Agency (Special funds from loan fees)
- University Systems Special Projects Fund (IHL special funds not related to student financial aid)
- State Post-secondary Review Entity (Federal Grant)
- Post-secondary Board Trust fund (Balances remaining from a loan program no longer in operation)
- State Treasury Funds (2)

NOTES:

(1) According to the FY1997 budget request to the Legislature, salaries of the 13 Student Financial Aid employees on staff at December 1995 were to be paid 100% with state general funds. Fiscal year 1997 staffing may be affected by IHL management's calendar-year 1996 decision to move at least two Student Financial Aid employees, including the Assistant Commissioner, to another section of IHL.

(2) Consists primarily of general funds and also includes $161,000 in Education Enhancement Funds appropriated in fiscal year 1993 for Student Financial Aid.

SOURCE: Institutions of Higher Learning payroll records and internal audit report.

Appendix C

Summary of Legal Residence Requirements Outlined in MISS. CODE ANN. Section 37-103-1 to 37-103-29

The legal residence requirements of MISS. CODE ANN. Section 37-103-1 to 29 are summarized as follows:

Legal residence of father or legal custodian: The legal residence of a person less than twenty-one years of age is that of the father. After the death of the father, the residence is that of the mother. If the parents are divorced the residence is that of the parent who was granted custody by the court; if custody was not granted, the residence continues to be that of the father.

Legal residence of children of parents employed by educational institutions: Children of parents who are members of the faculty or staff of any institution under the jurisdiction of the board of trustees of any junior college in the state of Mississippi or the Board of Trustees of State Institutions of Higher Learning may be classified as residents for the purpose of attendance at the institution where their parents are faculty or staff members.

Effect of removal of parents from state: If the parents of a minor enrolled in a college or university move their legal residence from the state of Mississippi, the minor will immediately be classified as a nonresident student.

Legal residence of an adult: The residence of an adult is the place where he or she is domiciled--that is, the place where he or she physically resides with the intention of remaining there indefinitely or of returning there permanently when temporarily absent. A married person may claim the residence status of his or her spouse, or he or she may claim independent residence status as an adult.

Legal residence of military personnel assigned to active duty in the state of Mississippi: Members of the United States Armed Forces on extended active duty and stationed within the State of Mississippi may be classified as residents, for the purpose of attendance at state-supported institutions of higher learning and junior colleges of the State of Mississippi. Resident status of military personnel will terminate upon their reassignment of duty outside of the State of Mississippi.

Resident status of children of military personnel on extended active duty shall be that of the military parent for the purpose of attending state-supported institutions of higher learning and junior colleges of the State of Mississippi during the time that the military parents are stationed in

Mississippi and shall be continued through the time that they are stationed in an overseas area with the last duty assignment within the State of Mississippi. Resident status of minor children shall terminate upon a permanent change of station order of their military parents in the U. S. outside of the State of Mississippi.

Penalty for false information: The responsibility for registering under the proper residence status is placed on the student. MISS. CODE ANN. Section 37-103-27 states that any student who willfully presents false evidence in regard to residence shall be found guilty of a misdemeanor, and upon conviction may be fined not to exceed one hundred dollars. In addition, false information on the MTAG/MESG application contract by an applicant who knowingly makes a false statement in order to receive a grant shall be guilty of a misdemeanor punishable upon conviction and fined up to ten thousand dollars, a prison sentence of up to one year in the county jail, or both, and shall be required to return all monies wrongfully obtained.

Appendix D

Summary of MTAG and MESG Guidelines

The following guidelines summarize the primary requirements found in MISS. CODE ANN. Sections 37-106-29 through 37-106-31 for the Mississippi Resident Tuition Assistance Program and the Mississippi Eminent Scholars Fund Program.

Mississippi Resident Tuition Assistance Program (MTAG)

Under the MTAG program, educational institutions will approve grants to full-time freshman, sophomore, junior, and senior Mississippi residents meeting certain requirements, summarized as follows:

- Students from any Mississippi family whose prior year adjusted gross income exceeds the maximum income allowed to qualify for full Pell Grant eligibility and campus-based federal aid may receive grants supplemental to the federal aid. Total aid received may not exceed the total cost of attendance (tuition and fees of the applicable institution plus an allowance for room and meals and books and materials).

- Junior and senior-level students may receive up to $1,000 per year, and freshmen and sophomores may receive up to $500 per year for tuition, rooms and meals, books, and materials fees.

- Students must meet specific minimum graduation and grade requirements outlined in the law, generally, to have successfully completed high school or other listed alternative with a minimum grade point average of 2.5 on a 4.0 scale and a minimum score of 15 on the American College Test.

- Students or their parents must have resided in Mississippi for no less than four years preceding the award.

- Students must make steady progress toward a degree in order to continue to receive the grant.

- Students must maintain specific grade point averages to receive future awards or to receive initial awards after entering a college or university.

- Students must complete a Free Application for Federal Student Aid form to determine eligibility.

Mississippi Eminent Scholars Fund Program (MESG)

The Mississippi Eminent Scholars Fund Program (MESG) is for students:

- who have been recognized by a national merit or achievement program as a semifinalist or finalist and have obtained a 3.5 grade point average on a 4.0 scale in high school; or,
- who have scored 1,200 on the Scholastic Aptitude Test or equivalent on the American College Testing Program and have obtained a 3.5 grade point average on a 4.0 scale in high school; or,
- who have attended a home education program and have scored 1,200 on the SAT or equivalent on the ACT; and,
- have been certified by the college or university as a Mississippi Eminent Scholar.

MESG recipients must also:

- have resided or have parents who have resided in Mississippi for no less than four years preceding the award;
- have enrolled as a first-time-in-college student;
- have maintained certain grade point averages for renewal; and,
- maintain continuous enrollment or refund the previous MESG grants received plus interest.

MESG recipients may receive up to $2,500 per year for tuition and fees.

Institution _____ Address _____

Mississippi Resident Tuition Assistance Grant Program (MTAG) and Mississippi Eminent Scholars Grant Program (MESG)

APPLICATION AND CONTRACT

❖ Please Type or Print in Black Ink! ❖

❖ Deadline for receipt of application by Institution is July 1 ❖

SECTION I: Student Information Social Security Number _____

Last Name _____ First Name _____ M.I. _____ Date of Birth _____

Permanent Home Address _____ City/State _____ Zip Code _____

Legal Resident of MS since: _____ (Month/Date/Year) County _____ Telephone (_____) _____

Sex: ❑ Male ❑ Female Race: (Optional) _____

I plan to attend the above Institution: beginning _____ (Month/Year) with an anticipated graduation date of _____ (Month/Year)

Applying for:
- ❑ **Mississippi Resident Tuition Assistance Grant Program (See Additional Terms and Conditions on back.)**
- ❑ **Mississippi Eminent Scholars Grant Program (See Additional Terms and Conditions on back.)**

SECTION II: High School Information ❑ Public ❑ Private

School Name _____ City/State _____

❑ High School Diploma Honors: ❑ National Merit Semi-Finalist or Finalist Grade Point Average: _____

❑ Other* _____ ❑ National Achievement Semi-Finalist or Finalist ACT/SAT Score: _____

i.e. Home Education Program, Int'l. Baccalaureate Program, GED - Provide details: _____

I certify that the above information is true and correct.

_____ _____ _____

Signature of Principal/Counselor | Print Name and Title | Date

---

SECTION III: College Information Transfer Student: ❑ Yes ❑ No

This section to be completed by first-time applicant currently enrolled in college: (Must first provide above information.)

❑ Freshman ❑ Sophomore ❑ Junior ❑ Senior

Major _____ Current Cumulative Grade Point Average: _____ Expected Graduation Date: _____

I certify that I have read and accept all conditions and provisions as set forth in this Application and Contract including those terms and conditions on the reverse hereof.

_____ _____

Applicant's Signature | Date

SECTION IV: This Section to be completed by Institution: AWARD YEAR: _____

In accordance with policy for these Programs, the following information has been certified and is true and correct:

Verified

❑ Mississippi Resident H.S. GPA _____ ❑ Current Full-time College Student

❑ H. S. Graduate or Equivalent ACT/SAT _____ ❑ Pell Grant eligibility (less than full)

Current Cumulative GPA (Based on 4.0 scale) _____

Eligibility: ❑ MTAG Amount of Award $ _____ ❑ Annual ❑ Semester

❑ MESG Amount of Award $ _____ ❑ Annual ❑ Semester TOTAL AWARD $ _____

_____ _____ _____

Signature of Financial Aid Officer | Print Name and Title | Date

Additional Terms and Conditions of the Mississippi Resident Tuition Assistance Grant Program (MTAG) and the Mississippi Eminent Scholars Grant Program (MESG)

❖ Read Thoroughly ❖

(1) Student must be a current legal resident of Mississippi (no less than four years preceding award year). **(2)** Student must be accepted for enrollment on a full-time basis at any two-year or four-year, public or nonprofit, regionally accredited, state approved, college or university in Mississippi. **(3)** Student must maintain continuous full-time enrollment of not less than two semesters or three quarters in each successive academic year unless granted an exception for cause. **If recipient fails to maintain continuous full-time enrollment, unless granted an exception, monies received for that award year, plus interest at 3%, shall be repaid by the recipient. (4)** If a student drops below full-time status during a semester or quarter of the academic year, that student is ineligible to receive funds during the following semester or quarter of the regular academic year. **(5)** No student may receive a MTAG or MESG for longer than the equivalent semesters or quarters required to complete one (1) undergraduate degree per institution [i.e. eight (8) semesters or equivalent quarters for a four (4) year degree; ten (10) semesters or equivalent quarters for a five (5) year degree; four (4) semesters for a two (2) year degree]. **(6)** Awards are dependent on availability of funds and are subject to proration. **(7)** Student must not be currently in default on an educational loan.

Other Eligibility Requirements

Mississippi Resident Tuition Assistance Grant Program (MTAG)	Mississippi Eminent Scholars Grant Program (MESG)
1. Student must complete a Free Application for Federal Student Aid form to determine eligibility, each year (forms are available at high schools or institutions).	1. Student must reapply for award annually.
2. Student must be receiving less than the full Pell Grant.	2. Student must enroll as a "first-time-in-college" student.
3. Student must have a minimum cumulative H.S. GPA of 2.5 on a 4.0 scale and a minimum ACT of 15; or must have satisfactorily completed the GED; or successfully completed the International Baccalaureate program with a minimum cumulative GPA of 2.5 on a 4.0 scale and a minimum ACT of 15; or attended a Home Education Program (9th-12th) and have a minimum ACT score of 15.	3. Student must be recognized as a semifinalist or finalist by the National Merit Scholarship Program or National Achievement Scholarship Program and have a minimum GPA of 3.5 on a 4.0 scale; or have a minimum score of 1200 on the SAT, or the ACT equivalent of 29, and have a minimum GPA of 3.5 on a 4.0 scale; or attended a Home Education Program during grade levels 9th through 12th and have a minimum score of 1200 on the SAT or the ACT equivalent of 29.
4. Student must maintain progress toward a degree with a minimum cumulative GPA of 2.5 on a 4.0 scale.	4. Student must maintain a minimum cumulative GPA of 3.5 on a 4.0 scale.

Falsification Statement

Falsification of any information shall result in denial of any pending grant and revocation of any award currently held to the extent that no further payments shall be made. Any student knowingly making false statements in order to receive a grant shall be guilty of a misdemeanor punishable, upon conviction thereof, by a fine of up to Ten Thousand Dollars ($10,000.00), a prison sentence of up to one (1) year in the county jail, or both, and shall be required to return all monies wrongfully obtained.

Agency Response

The response of the Board of Trustees of State Institutions of Higher Learning to this report consisted of twelve pages of comments regarding PEER's recommendations and eight supporting exhibits. Due to the total length of the response (sixty-nine pages), the Joint Legislative PEER Committee voted to include a synopsis of IHL's response and make copies of the entire response available to interested parties on request.

The following pages present a recap of each PEER recommendation, followed by a synopsis of IHL's response to the recommendations. **Copies of IHL's full response may be obtained by writing to PEER's Records Coordinator (Post Office Box 1204, Jackson, Mississippi, 39215-1204) or calling PEER's Records Coordinator at (601) 359-1226.**

Administrative Expenditures

PEER Recommendation #1: IHL staff should conduct a study to determine the workload of the Student Financial Aid Division and the staffing needed to accomplish the division's mission. The study should identify costs per loan recipient for each individual financial aid program.

Synopsis of IHL's Response: IHL is supportive of this recommendation. IHL states that the start-up of MTAG/MESG required an increase in the Student Financial Aid staff to draft the rules, regulations, contracts, and applications; establish the data elements for reporting purposes; create database structures; establish procedures for payments and refunds; and disseminate documents and information through workshops for college student financial aid officers, college registrars, and high school counselors. IHL notes that Student Financial Aid staff has been reduced approximately 25% since completion of the initial implementation of MTAG/MESG. IHL also states that its budget request form already identifies the costs per loan recipient for Student Financial Aid.

PEER Recommendation #2: IHL should establish policies for purchasing computer equipment, services, and software, and establish procedures for completion of a needs analysis of the purchase. The needs analysis should include a study of:

- **capabilities of current computer systems;**
- **needs of the department which will use the systems, services and equipment under consideration;**

- **capabilities and characteristics of proposed purchases; and,**

- **the manner in which proposed purchases will meet the specific needs of the department requesting the purchase.**

  Synopsis of IHL's Response: *IHL is supportive of this recommendation. IHL states that in November 1995 the Commissioner established a policy requiring the Assistant Commissioner of Technology to approve and coordinate technology acquisitions, including computer hardware and software. IHL further states that it was necessary to purchase replacement computers for Student Financial Aid staff after IHL privatized administration of part of its student financial aid program and transferred computers purchased with federal funds to the contractor. In addition, IHL illustrates how computers purchased with Student Financial Aid funds and used by both the Student Financial Aid program and IHL general administration benefit the program. IHL includes estimates as to expenses that IHL would incur should it purchase an additional computer rather than relying on its existing computer to benefit both the program and IHL general administration.*

PEER Recommendation #3: When purchasing a software system or equipment which requires cooperation of various IHL staff and vendors for installation, IHL management should appoint an overall project manager to ensure communication between and cooperation of all involved and to ensure successful completion of the project.

Synopsis of IHL's Response: *IHL is supportive of this recommendation and reiterates that the Assistant Commissioner of Technology now acts in this capacity.*

PEER Recommendation #4: The Legislature should consider revising IHL's Student Financial Aid appropriation bill (which has included lump-sum appropriations) to limit the amount which may be spent on administration of the loan and scholarship programs to a certain percentage of the funds appropriated. This revision would prevent IHL from exceeding a designated level of administrative expenditures, thus ensuring that IHL does not spend state funds intended for financial aid on administration.

Synopsis of IHL's Response: *IHL opposes this recommendation. IHL states that a percentage limitation of the funds appropriated for the amount which may be spent on administration of the loan/scholarship programs would create "an unnecessary limitation." IHL also states that PEER's recommendation would "usurp the ability to create and administer new programs as the need arises during the fiscal year which was the legislative intent of the Omnibus Loan or Scholarship*

Act of 1991." IHL concludes by stating that although staffing costs are determinable, other administrative costs remain "unpredictable."

PEER Recommendation #5: IHL should report all special funds and checking accounts in its budget requests to the Legislature, including the actual revenues to its special funds, as required in the MBR-1 form developed by the Legislative Budget Office.

Synopsis of IHL's Response: IHL is supportive of this recommendation. IHL states that implementation of this recommendation will begin with its FY 1998 budget request.

PEER Recommendation #6: The Attorney General and State Auditor should consider whether IHL's former Commissioner, Dr. Ray Cleere, should repay funds spent by IHL for a computerized loan management system which it has not used.

Synopsis of IHL's Response: IHL disagrees with this recommendation. IHL states that Dr. Cleere made the decision [to purchase the computerized loan management system--i.e., Banner] in consultation with then-Associate Commissioner of Finance and Planning that the system purchased was adequate for Student Financial Aid needs. IHL later determined that programming modifications necessary to make the system usable by Student Financial Aid would be too expensive and would require additional manpower to maintain. IHL states that the former Commissioner made the decision to purchase Banner based on his intent that all software used by the IHL administrative office and the universities have the ability to interface so that data could be exchanged directly, and that no other alternatives were considered. IHL asserts that the former Commissioner made these decisions "within the course and scope of his official duties as Commissioner of Higher Education."

Residence Verification

PEER Recommendation #7: IHL staff and the Post-secondary Board should develop clear policies outlining types of documentation to be reviewed and steps to be taken by institutions when determining an applicant's four-year residence, such as:

- **transcripts showing enrollment (for years during which the applicant was 21 or older);**
- **home ownership agreements or apartment lease agreements;**

- **property tax payment documents, such as motor vehicle registration statements, other property tax bills, and form 1098 federal information returns from mortgage companies;**

- **tax returns showing parent's or student's Mississippi address; or,**

- **utility bill showing the name of parent or student with Mississippi address.**

The Post-secondary Board should distribute copies of these policies to colleges and universities.

> *Synopsis of IHL's Response: IHL differs with this recommendation. IHL states that the MTAG/MESG application/contract were never intended to be a stand alone document. IHL explains that applicants are required to complete a Free Application for Federal Student Aid (FAFSA) form as well as various admissions documents, all of which could be used by university financial aid offices to verify residence. IHL further states that institutions, by statute and/or by policy, already have procedures in place as to the definition of residency and documents acceptable to prove residency for admissions and other purposes (e.g. other financial aid, athletic scholarships). IHL asserts that the Post-Secondary Financial Assistance Board's policies require institutions to maintain documentation relevant to awards of MTAG/MESG grants and to sign a certification statement indicating institutions' reviews of documents to support award decisions.*

PEER Recommendation #8: IHL staff and the Post-secondary Board should revise the MTAG/MESG application form to:

- **ask applicants specifically whether they have been legal residents of the state for the four years immediately preceding the date of application; and,**

- **strengthen the certification statement by–**

  --adding language to require applicants to certify that they understand the grant provisions that they have read; and,

  --requiring applicants to certify as to the truthfulness of the information provided and to their understanding of the possible penalties for providing false information.

> *Synopsis of IHL's Response: IHL differs with this recommendation. IHL states that the Post-Secondary Board already requires evidence of continuous residency for four years preceding the award and that institutions are already mandated to review documentation to verify residence by virtue of being required to certify the information on the*

contract/application. IHL further states that the MTAG/MESG application already clearly states in a prominent manner the four-year residence requirement and the penalties for providing false information and that the applicant is already required to sign a statement certifying to his/her understanding and acceptance of the residency requirement and other terms and conditions.

PEER Recommendation #9: The Post-secondary Board should develop procedures for conducting annual compliance audits of grant recipient files at colleges and universities, as required in its Rules and Regulations. The procedures should require IHL staff to use scientific sampling in conducting the audits to determine compliance rates.

Synopsis of IHL's Response: IHL is supportive of this recommendation. IHL states that it has already developed draft compliance audit procedures which are being reviewed by auditors and legal staff. IHL's first compliance audit is scheduled for June 1996.

PEER Staff

Director

Max Arinder, Executive Director
Ava Welborn

Administration and Support Division

Steve Miller, General Counsel and Controller

Shirley Anderson
Louwill Davis
Sam Dawkins
Ann Hutcherson
Larry Landrum
Mary McNeill
Bonita Sutton

Evaluation Division

James Barber, Division Manager
Kathleen Sullivan, Division Manager

Mitchell Adcock
Michael Boyd
Ted Booth
Katherine Stark Frith
Barbara Hamilton
Kevin Humphreys
Kelly Lockhart
Joyce McCants
David Pray
Pam Sutton
Linda Triplett
Larry Whiting

Pam Confer, Intern